

## **BUREAU OF ELECTRONIC AND APPLIANCE REPAIR**

### **INITIAL STATEMENT OF REASONS**

Hearing Dates: April 27, 2004 in Diamond Bar, CA and April 29, 2004 in Sacramento, CA.

Subject Matter of Proposed Regulations: Establish definition of 'home health care products', incorporate additional financial backing alternative, and revising the service contract application to include the new provisions contained within the statute.

1. Section Affected: Section 2755

Specific Purpose of Adoption: Provide definition of the term home health products.

Factual Basis/Rational: Define the products for purposes of general consumer usage and purchases. When the law was enacted (AB 1553, Chapter 775, Stats. 2004) there was no specific definition of 'home health care products.' The Bureau looked at products that consumers would likely purchase and be offered service contracts on that would fall under that category. To alleviate confusion for consumers and service contract sellers, the Bureau deemed it necessary to define the scope of these products.

Underlying Data: None

Business Impact: This regulation will not have a significant adverse economic impact on businesses. Historical regulation over service contracts sold on electronic equipment and major appliances has not yielded any evidence of significant adverse impact to small businesses currently regulated by the Bureau. Industry has supported the current regulation and the Bureau received no indication that regulation is an undue burden.

Specific Technologies or Equipment: This regulation does not mandate the use of specific technologies or equipment.

Consideration of Alternatives: No reasonable alternative to the regulations would be either more effective in carrying out the purpose for

which the action is proposed or would be as effective and less burdensome to affected private persons than the proposed adoption of this regulation.

These regulations to clarify the Bureau's mandate and provide reasonable information for the industry and consumers. The only alternative would be no additional regulation, which would serve to open up the law to a broad interpretation, and fail to provide a consistent application.

2. Section Affected: Section 2756

Specific Purpose of Amendment: Change the revision date on the service contract application, add alternative means of showing financial solvency and provide consistency between statute and regulation.

Factual Basis/Rational: Update the revision date on the service contract application that requires changes to comply with the new law (AB 1553, Chapter 775, Stats. 2004). The current application does not address the new products covered under the new law, nor the financial backing alternate of \$100,000,000 with an audited financial statement. Revisions in the application are necessary to clearly define who needs to be registered and how they can meet the requirements.

Underlying Data: None

Business Impact: This regulation will not have a significant adverse economic impact on businesses. Updating the service contract application will provide accurate and complete information to potential registrants in order to bring them into compliance with the new law.

This provides businesses with an additional alternative to meeting the fiscal solvency requirements. Instead of placing more restrictions, it allows businesses more flexibility in how they can disclose financial backing for contracts sold to California consumers.

Specific Technologies or Equipment: This regulation does not mandate the use of specific technologies or equipment.

Consideration of Alternatives: No reasonable alternative to the regulations would be either more effective in carrying out the purpose for which the action is proposed or would be as effective and less burdensome to affected private persons than the proposed amendment to this regulation.

The only other alternative would be to not amend the regulation, which would cause an inconsistency between the new law and current regulation, thereby impeding application and understanding of the requirements of evidence of fiscal solvency.